

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHBUL #3480/01 3050953  
ZNY CCCCC ZZH  
P 010953Z NOV 09  
FM AMEMBASSY KABUL  
TO RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 8054  
RUEHC/SECSTATE WASHDC PRIORITY 2678

C O N F I D E N T I A L KABUL 003480

SIPDIS

STATE FOR S/SRAP, SCA/A AND EEB/BTA  
STATE PASS USTR FOR DELANEY AND DEANGELIS

E.O. 12958: DECL: 10/31/2019  
TAGS: [ETRD](#) [EAID](#) [PREL](#) [PK](#) [AF](#)  
SUBJECT: PAVING THE WAY FOR ACCEPTANCE OF THE APTTA  
UNAUTHORIZED TRADE STUDY

REF: KABUL 3391 AND PREVIOUS

Classified By: Acting CDDEA Robert F. Cekuta for Reasons 1.4 (b) and (d)  
)

1. (C) Summary: Afghanistan's chief negotiator for the Afghanistan-Pakistan Transit Trade Agreement (APTTA), Adib Farhadi, talked to EconOffs Oct 29 regarding the recent flap resulting from the Afghan MFA's foot-dragging on transmitting the terms of reference for the study on unauthorized trade. He has also picked up from the Pakistani embassy in Kabul that Islamabad wants to hold off on talks pending the results of the elections and seeing who the Afghan ministers are. At this point, Farhadi doubts the Pakistanis will participate in the meetings scheduled for November. The Chief negotiator also talked about the study of unauthorized trade, noting it is important that there be something in it that each side does not like for it to be perceived as impartial and that it be conducted in a way that neither side is seen as influencing the experts preparing the study or its outcome. End Summary.

2. (SBU) Deputy Economic Counselor and USAID Economic Growth Deputy Director met October 29 with Adib Farhadi, who leads the GIROA side in the negotiations for a transit trade agreement with Pakistan. In addition to reviewing the status of the negotiations, Farhadi discussed the proposed study on unauthorized trade, which has been a sticking point.

Unauthorized Trade Study Must be Seen as Unbiased  
-----

3. (C) Farhadi said the credibility of the study into unauthorized trade, i.e., smuggling, will lie in making "both sides unhappy." If either government is pleased with the study results, the other will not accept it, Farhadi said, and added the issue of unauthorized trade is so fraught with political and historic overlays that neither government will accept the study's recommendations without some protest and criticism. He predicted at least some criticism of the U.S. since we are funding the study. However, he also predicted both Afghans and Pakistanis would jointly implement recommendations as long as they perceive the prescribed remediation as equitable, objective, and fact-based. Farhadi emphasized neither side should be able to charge the other as influencing the study's results, and noted this would include avoiding perceptions of either party meeting too frequently with the experts writing the study and its recommendations.

4. (C) Farhadi believes Japanese-manufactured high-end electronics make up the bulk of the unauthorized trade. He also reiterated that Pakistanis fear if Afghanistan secures access through Wagah to India, Indian products would be diverted through unauthorized trade back into Pakistan and compete with Pakistan's domestic products. He predicted a three to five year horizon for implementing the study's

recommendations and placed great importance on the effectiveness/operational ability that line ministries will require to implement the recommendations.

#### Pakistan May Delay Round Four

15. (C) Farhadi re-iterated doubts Pakistan would commit to attend a November negotiating round. Pakistani negotiators, as well as the Pakistani Ambassador to Kabul, have informally told him the GOP wants to wait for the Afghan election to be resolved and new ministers in place. According to Farhadi, he urged the GOP reps to negotiate in November to resolve the remaining issues that need to be resolved at the technical level. For example, he said the two sides have not yet begun negotiating the transportation chapter, which he expects will take two sessions to complete. Farhadi added he has informally discussed a follow-on negotiating round the second week of December with Pakistani lead negotiator Said Bashir.

#### Thorns in the Negotiations

16. (C) Referring to the Afghan MFA's recent delayed transmittal of the unauthorized trade study's Terms of Reference (TOR), Farhadi said he had used up much of his personal political capital arguing with MFA Minister Spanta to let the TOR go forward. He said the MFA is not well versed in economic issues, yet wants to control international trade negotiations, including APTTA. He noted the MFA is not in favor of Afghanistan joining the WTO and Farhadi largely attributed the APTTA's recent lack of progress to the MFA's roadblocks. Farhadi said relations between Minister Spanta

and the Pakistani Ambassador to Kabul are so bad that Spanta will not meet with the Ambassador. According to Farhadi, these poor relations also factor heavily into the Pakistan's desire to delay negotiations. The Pakistanis expect a new Foreign Minister will be named, based on the widely-circulated rumor Spanta does not wish to remain in place, Farhadi said.

EIKENBERRY